EXCO TECHNOLOGIES LIMITED

Annual Report

1999

IN PARTNERSHIP WITH TOMORROW

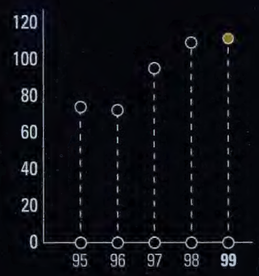
FINANCIAL HIGHLIGHTS

($ in thousands except per share amounts)

	1999	1998	1997	1996	1995
Sales	**$ 118,295**	$ 118,045	$ 99,579	$ 73,403	$ 73,947
Net Income	**$ 12,036**	$ 11,115	$ 8,388	$ 5,880	$ 9,144
Fully Diluted Earnings Per Share	**$ 0.59**	$ 0.55	$ 0.42	$ 0.30	$ 0.47
Cash Flow from Operations	**$ 24,208**	$ 21,238	$ 16,355	$ 11,636	$ 14,384
Fully Diluted Cash Flow Per Share	**$ 1.17**	$ 1.04	$ 0.81	$ 0.59	$ 0.73
EBITDA	**$ 32,617**	$ 29,572	$ 21,688	$ 15,279	$ 19,621
Total Net Debt to Equity	**0:1**	.26:1	.15:1	.06:1	0:1
Capital Expenditures and Investments	**$ 8,669**	$ 26,155	$ 22,991	$ 18,790	$ 13,469

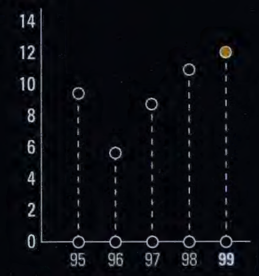
Sales

Sales have increased at an average annual compound rate of **12%** over 5 years.



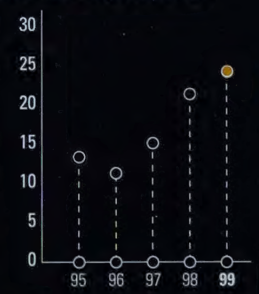
Net Income

Net income has increased at an average annual compound rate of **7%** over 5 years. Exco's capital investment program has created significant excess capacity. Earnings growth is expected to accelerate as capacity utilization increases.

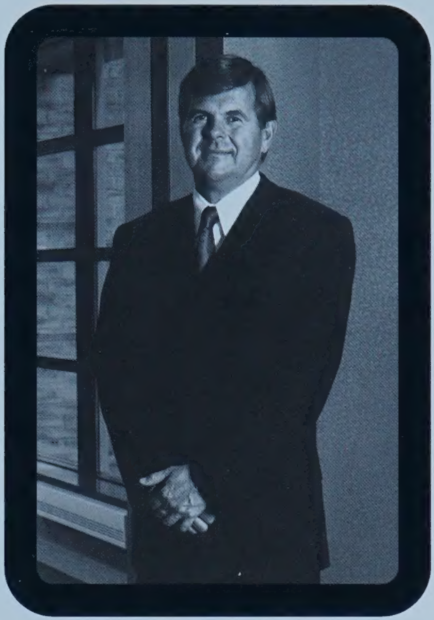


Cash Flow from Operations

Cash flow has increased at an average annual compound rate of **14%** over 5 years. In 1999, cash flow exceeded capital investments and Exco was able to repay its operating lines and be net debt-free by year end.



PRESIDENT'S MESSAGE



BRIAN A. ROBBINS
President and Chief Executive Officer

The rate of change in our industry and markets is accelerating. We are witnessing significant consolidation and a greater global economy. Newly consolidated industries are relying heavily on outsourcing thereby forcing further consolidation among first and second tier suppliers. I have been asked repeatedly how Exco adapts to these changes and how it will survive and prosper in this new environment.

To the automotive industry, we are the supplier of an engineered product or system. We are not a "build to print" house. For many years, we have provided engineering assistance to our customers. This includes part design optimization, prototyping and, ultimately, a complete manufacturing system. We are well equipped to expand upon these services and respond quickly to our customers' needs. We strongly believe that we are the dominant, low-cost producer in our industry and also the most innovative.

We continue to gain market share in the transmission case mould business and, at the same time, are able to search out various opportunities for cast aluminum or magnesium components. Recently, we turned our focus to aluminum die-cast engine blocks and have already supplied numerous moulds for General Motors' new V-6 block. I am excited to announce the award of an initial contract from Daimler-Chrysler, in Stuttgart, to design and manufacture a system to cast the Mercedes Benz V-8 engine block. This significant contract will provide Exco with considerable recognition, visibility and prestige. As well, it should serve as a broad stepping stone for our entry into the European automotive industry. We will proceed deliberately but with caution. We possess the capacity, the technical knowledge and the opportunity to grow this business dramatically.

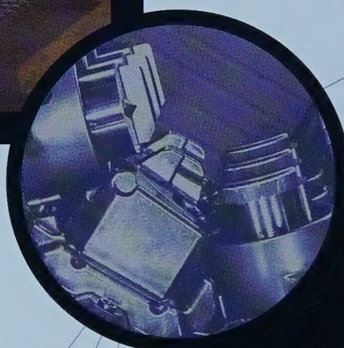
On the extrusion tooling side of our business, our customers are also rapidly consolidating and looking to their suppliers to provide broader engineering and manufacturing services. We are the dominant, low-cost producer with only 5% of the U.S. market. In November 1999, we opened a new, state-of-the-art extrusion tooling facility in Michigan. It is there that we will spearhead our efforts to grow our U.S. market share. This strategy requires both time and money. We are fully committed and we will succeed.

Growth in revenue and earnings rarely follows a straight line. Rather, the pattern is one of growth, consolidation and recurring bursts of growth. 1999 can best be described as our consolidation phase. Revenue was static, earnings grew by 8%, and cash flow grew by 14%. Frankly, I believe that 1999's performance was outstanding. We entered the year with a very slim back log and operated month to month on that basis. In spite of this, we recorded record revenues and earnings and our margins improved substantially. Our capital investment program allowed us to turn subcontract work into in-house work. We invested heavily in engineering and research and development for both transmission case and engine block tooling. None of this was capitalized. Now, our back log is building once again and will continue to do so for the foreseeable future. We will be able to accommodate substantial new business with little or no new capital investment. Over time, our revenue will grow, our depreciation expense will decline relatively and our margins will continue to improve. All of our divisions are currently profitable. This was not the case in 1999. We are currently net debt-free and have significant cash in hand despite our four year capital program of $84 million.

"In partnership with tomorrow" is where our future and opportunity lies. We look to it with confidence and embrace the challenges and benefits with our employees, customers and shareholders alike.

BRIAN A. ROBBINS
President and Chief Executive Officer

Investing



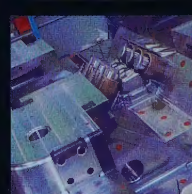
PEOPLE. TECHNOLOGY. EQUIPMENT. Exco's success and strong business outlook for the future is directly related to our long-term investment in our people, technology and the equipment employed. Our skilled employees strive to meet the engineering challenges placed before them. We have implemented advanced engineering and manufacturing methods that set new standards in the industry. We are continually broadening our technological base with machinery and methodology that support worldwide demands and developments.

Above: This General Motors' double overhead cam V6 engine block is produced by a patented design mould manufactured at Exco.

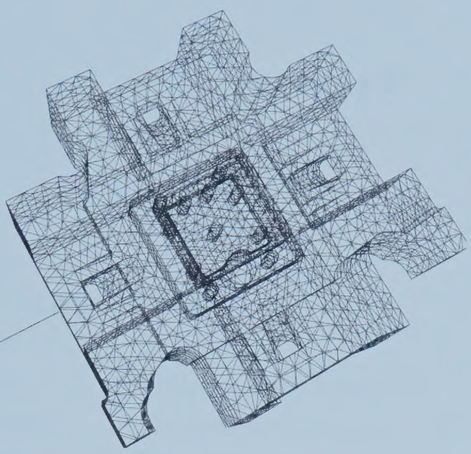
PEOPLE

TECHNOLOGY

EQUIPMENT



in the Future



Over the past 47 years, Exco has built a reputation for delivering a quality product, on time and for the best price. The company's proven track record has caught the attention of customers, competitors and investors worldwide. Exco's significant impact upon the industry is a direct result of its progressive management style and investment philosophy.

CASTING TECHNOLOGIES

Jan Tesar, President of Casting Technologies, says, "Exco has the most capable and knowledgeable people in the world. Each person contributes a different expertise and perspective." They have allowed Exco to develop a system that can accommodate four or five new programs at a time.

Exco's engineering sophistication was recently recognized. We were one of only a handful of companies worldwide to receive the Daimler-Chrysler CATIA award.

Exco's capabilities, combined with our capacity, have made us an industry leader in die-casting technologies.

We pride ourselves on our ability to anticipate and adapt to change. We are involved with our customers from the concept stage to design, the manufacturing of the tool and the production of proto-type parts. We listen carefully to our customers and then deliver what we promise.

Our reputation is built upon the fundamental fact that we produce an excellent product, based upon sound engineering. Exco has elevated its approach to the industry. For Exco, it is the science of toolmaking and this is evident both in design and manufacturing. During production, we use sophisticated computer analysis not only to check the flow of aluminum but to monitor factors such as thermal conditions, stress loads and the deflection of the die. Our research and development facility can duplicate the production parameters set by our customers and can also develop production parameters for new parts such as transmission cases and engine blocks. Our competitors do not have this capability.

IN PARTNERSHIP WITH TOMORROW

Responding to

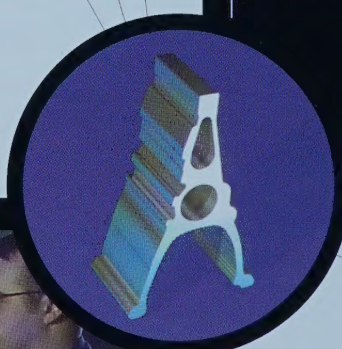
MARKETS

SOLUTIONS

CUSTOMERS

Below: This extrusion is used in the hard drive of most computers. Exco manufactures extrusion dies for complex shapes with very tight tolerances.

CUSTOMERS. MARKETS. SOLUTIONS. Exco is the leader in responding to industry change. A case in point is the increased use of aluminum in automobiles to affect a more fuel-efficient and environmentally conscious product. Aluminum content in automobiles is expected to more than double over the next 15 years. We expect to increase our market share by anticipating and adapting quickly to the ever-changing marketplace.

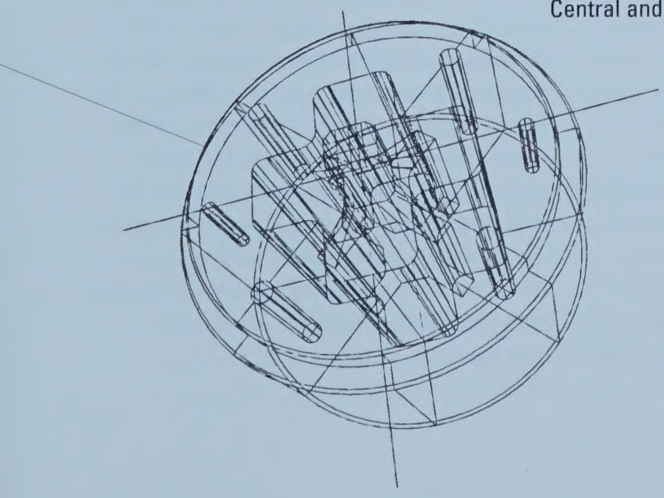


Industry Demands

EXTRUSION TOOLING

Exco is the largest supplier of extrusion tooling in North America. Our partnership-style relationship with our customers allows us to be involved from the design stage through to manufacturing. We provide the customer with a die that requires no trials, is able to run at optimal speeds, produces minimal scrap and is delivered on time. The technical assistance we provide, unmatched in the industry, has positioned us at the forefront of extrusion technology.

Exco has made the investment in people and technology in order to compete in a market that has consolidated and become more sophisticated.



This new brand of customer has been the target of our new technology.

To meet the growing demand for Exco's extrusion tooling products, we recently completed construction of a new 35,000 square foot facility in Michigan that possesses the most advanced equipment available.

The immediate result of these investments has been increased business with existing customers in Canada, United States and Central and South America.

Exco is a world leader in the production of complex extrusion dies with very tight tolerances. Applications of complex extruded components are used in the computer, electronic, automotive and aerospace industries.

Our market has increased substantially because some of our existing customers, the larger extruders, have purchased smaller extruders who previously were not Exco customers. These new, larger companies want to do business with Exco, a company that understands the value of advanced precision tooling.

We are focused on providing our customers with not only extrusion dies but a series of complementary tooling products and equipment. Some new products introduced include replaceable wear ring dummy blocks, single cell die ovens that reduce down time and heat dies quickly and safely to the required temperature, as well as thermally controlled piercing mandrels which increase the useful life of the mandrel and reduce scrap.

The plans are in place and the opportunities are at hand to secure Exco's position in this industry.

The following is management's discussion and analysis of operations and financial position and should be used in conjunction with the consolidated financial statements. It is intended to provide additional information on the Company's performance, financial position and outlook.

OPERATING RESULTS

Exco's sales for fiscal 1999 of $118.3 million were consistent with 1998 sales of $118.0 million. The increase in extrusion tooling sales of approximately 15%, primarily in the North American market, was offset by a decrease in sales of 10% in the die-cast mould operations. Die-cast mould operations experienced lower revenue in 1999, a direct result of program delays, pending reorganization and the consolidation of its customer base. Exco believes that this reorganization is nearing completion and will allow for the continued growth of the Company's business.

Exco's mould standards business, which represents approximately 4% of sales, was sold subsequent to year end. This business was not strategic to Exco's primary tooling operations.

Gross margin increased to 40% from 35% in fiscal 1998. Exco's substantial investment in its facilities and technology over the past four years has resulted in improved operating efficiencies and reduced subcontract costs. Exco believes that further improvement is possible as capacity utilization increases.

Selling, general and administrative costs increased by $2.8 million to 13.8% of sales from 11.5% of sales. Exco experienced higher selling costs in the year as it continued to focus on the development of its foreign markets.

During 1999, Exco disposed of excess machinery and equipment for net proceeds of $3.1 million resulting in a $1.1 million accounting gain. In 1998, the accounting gain on dispositions was $2.0 million. Significant dispositions, as experienced in 1998 and 1999, are not anticipated in 2000.

Depreciation expense increased by $1.8 million or 17% to $12.5 million, reflecting Exco's extensive capital investment program over the past four years. Depreciation expense has increased at a compound rate of 30% per year since 1996. Exco has built significant available capacity into several of its facilities in anticipation of growth and expects to benefit from this investment over the next few years. Depreciation expense is not expected to increase significantly in 2000 as capital spending has levelled out.

Interest on long-term debt and other interest fell by 43% to $615 thousand reflecting both a reduction of long-term debt and operating line usage. During 1999, Exco's operating cash flow exceeded its capital expenditure requirements and, accordingly, Exco was able to eliminate its operating lines by year-end. Exco completed the year net debt-free with a cash balance of $2.8 million.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations before changes in non-cash working capital was $24.2 million, an increase of $3 million (14%) over 1998. This improvement resulted from an increase in net income of $921 thousand and non-cash charges of $2.1 million. Cash invested in non-cash working capital declined by $5.6 million. This decrease was primarily a result of the timing of billing and collecting of customer advance payments.

Exco invested $11.8 million in its facilities during 1999 and received proceeds on disposition of fixed assets of $3.1 million for net cash invested of $8.7 million. Fixed asset purchases of $5.3 million for the extrusion tooling operations and $6.5 million for the die-cast mould operations enhance capacity and technology in these businesses. During 1999, Exco commenced construction of a new 35,000 square foot extrusion tooling facility in Michigan replacing a much smaller, leased plant. This new facility will be completed and occupied during the first quarter of fiscal 2000. The die-cast mould operations completed the installation of boring mills, specifically designed to handle the machining of moulds weighing up to 100 tonnes. These boring mills were necessary to accommodate the increased size of the transmission and engine block moulds.

In 2000, Exco will invest approximately $15 million in capital assets and will likely exceed the anticipated 2000 depreciation expense by $2.0 million or 15%. This expenditure includes the completion of the above mentioned extrusion tooling facility in Michigan. The die-cast mould operations will continue to upgrade and re-build existing equipment and CAD/CAM systems. In addition, specialized equipment for the rapid prototyping of new die-cast component designs will be installed. This equipment will enable Exco to demonstrate to its customers new design concepts while significantly reducing the time and cost associated with existing methods.

During 1999, the Company's operating cash flow exceeded its capital expenditure requirements. As a result, Exco was net-debt free by year-end with total cash of $2.8 million and debt of $800 thousand as compared to total debt of $20.1 million in 1998. During 2000, Exco again expects to be cash flow positive after planned capital additions. However, Exco still has available operating lines of approximately $33 million if required.

Exco's Canadian operations negotiate sales contracts with customers in both Canadian and U.S. dollars. In addition, Exco purchases material in Canadian and U.S. dollars. Exco reviews its net foreign currency exposure on an ongoing basis. Exco did not enter into forward foreign exchange contracts over the previous year as the Company did not believe that the value of the Canadian dollar relative to the U.S. dollar or the probable range within which the Canadian dollar would trade posed a financial risk to the Company. Exco will continue to evaluate its present strategy.

YEAR 2000

Exco has completed a review of its computer systems including the computer controls utilized in manufacturing equipment, CAD/CAM, production control, accounting systems and networks. Internal and external personnel conducted this review and reported to executive management who, in turn, reported to the Board of Directors.

For many years, Exco's strategy has been to purchase the latest technology available and continue to maintain and upgrade it to the latest standard. As a result, Exco found, in most situations, that its systems were Year 2000 compliant. There were, however, certain upgrades that were required. Exco's engineering, manufacturing and administrative systems are primarily well known, off the shelf packages with readily available patches.

Exco has not specifically identified the costs associated with the Year 2000 issue separate from the costs associated with ongoing system upgrades and replacement. The Company does not believe that Year 2000 costs, distinct from Exco's ongoing upgrade program, are material.

Exco has been in contact with suppliers that are critical to its operations. They have advised us that they are ready for the Year 2000.

Exco believes that it has made an effort to ensure that its systems are ready for the Year 2000 and that the impact, if any, on its business has been minimized. However, it is difficult to determine all potential problems which could arise because of the complexity of the issue and, in particular, the implications of suppliers, customers and other third parties to Exco's systems.

OUTLOOK

Exco's die-cast moulds are supplied to the automotive industry while its extrusion tools are supplied to a variety of industrial product markets with an emphasis on the construction and automotive industries.

The automotive industry has embraced aluminum because it is lighter than the equivalent iron or steel structure, it assists in fuel economy and it matches or exceeds crashworthiness standards. The construction industry endorses aluminum as a building material because it is light, strong, corrosion resistant, easily maintained and has attractive design options.

The market for Exco's tool building capability continues to grow. Recognizing this, Exco has invested $84 million in its facilities over the past four years. This is a significant sum considering Exco's size.

Exco is now very well positioned to benefit from the growing market. Exco continues to make technological advances and demonstrates this to its customers. This practice ensures Exco's continued leadership in the industry.

Although Exco has less than 5% of the U.S. market for extrusion tooling, it is the largest and most advanced operation in North America with the resources to continue to grow its business. As well, the rapid consolidation of Exco's customer base has created a customer who demands a more sophisticated and advanced supplier. This trend should assist Exco's growth objectives.

Exco believes that the demand for more fuel efficient automobiles will result not only in an increase in aluminum die-cast components but will also lead to technological changes to existing aluminum components. Exco's die-cast mould business thrives on change since re-designed transmissions and engine blocks require new moulds. These changes have a greater impact on Exco's die-cast mould business than the level of North American vehicle sales.

These market and technology driven factors, coupled with Exco's leadership in its product niche, should result in continued growth and prosperity.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Exco Technologies Limited and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

The Company maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board, and a majority of its members are outside directors. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of external auditors.

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

November 12, 1999
Exco Technologies Limited

AUDITORS' REPORT

We have audited the consolidated balance sheets of Exco Technologies Limited as at September 30, 1999 and 1998 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Toronto, Canada,
November 12, 1999

CONSOLIDATED BALANCE SHEETS

$(000)'s as at September 30

	1999	1998
ASSETS		
Current		
Cash (note 4)	**$ 2,844**	$ –
Accounts receivable	**20,939**	29,685
Inventories (note 2)	**13,049**	14,796
Prepaid expenses and deposits	**340**	401
Total current assets	**37,172**	44,882
Fixed assets (notes 3 and 5)	**77,322**	80,523
	$ 114,494	$ 125,405
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness (note 4)	**$ –**	$ 18,120
Accounts payable & accrued liabilities	**11,770**	11,464
Income taxes payable	**1,329**	472
Customer advance payments	**5,406**	11,560
Current portion of long-term debt (note 5)	**195**	596
Total current liabilities	**18,700**	42,212
Long-term debt (note 5)	**641**	1,416
Future income tax liabilities	**4,855**	4,135
Total liabilities	**24,196**	47,763
Shareholders' Equity		
Share capital (note 6)	**25,097**	24,059
Retained earnings	**64,555**	52,519
Currency translation adjustment	**646**	1,064
Total shareholders' equity	**90,298**	77,642
	$ 114,494	$ 125,405

Commitments and contingencies (notes 8 and 12)

See accompanying notes

On behalf of the Board:

BRIAN A. ROBBINS
Director
President and
Chief Executive Officer

ARTHUR A. KENNEDY
Director
Chairman of
the Board

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

$(000)'s except for earnings per share   Years ended September 30

	1999	1998
Sales	**$ 118,295**	$ 118,045
Cost of sales and operating expenses before the following	**70,409**	76,961
Selling, general and administrative	**16,337**	13,531
Gain on sale of fixed assets	**(1,068)**	(2,019)
Depreciation and amortization	**12,520**	10,677
Interest on long-term debt	**152**	246
Other interest	**463**	842
	98,813	100,238
Income before income taxes	**19,482**	17,807
Provision for income taxes (note 7)		
Current	**6,726**	5,242
Future income taxes	**720**	1,450
	7,446	6,692
Net income for the year	**12,036**	11,115
Retained earnings, beginning of year	**52,519**	41,404
Retained earnings, end of year	**$ 64,555**	$ 52,519
Earnings per common share (note 9)		
Basic	**$ 0.61**	$ 0.57
Fully diluted	**$ 0.59**	$ 0.55

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOW

$(000)'s except per share amounts   Years ended September 30

	1999	1998
OPERATING ACTIVITIES		
Net income for the year	**$ 12,036**	$ 11,115
Add (deduct) items not involving a current outlay of cash		
Depreciation and amortization	**12,520**	10,677
Future income taxes	**720**	1,465
Gain on sale of fixed assets	**(1,068)**	(2,019)
	24,208	21,238
Net change in non-cash working capital balances related to operations	**5,563**	(6,376)
Cash provided by operating activities	**29,771**	14,862
FINANCING ACTIVITIES		
(Decrease) Increase in bank indebtedness	**(18,120)**	10,630
Decrease in long-term debt	**(1,176)**	(246)
Issue of share capital	**1,038**	909
Cash provided by (used in) financing activities	**(18,258)**	11,293
INVESTING ACTIVITIES		
Investment in fixed assets	**(11,822)**	(29,055)
Proceeds on sale of fixed assets	**3,153**	2,900
Cash used in investing activities	**(8,669)**	(26,155)
Increase in cash	**2,844**	–
Cash, beginning of year	**–**	–
Cash, end of year	**$ 2,844**	$ –
Cash per common share provided by operating activities before giving effect to net change in non-cash working capital balances related to operations (note 9)		
Basic	**$ 1.23**	$ 1.09
Fully diluted	**$ 1.17**	$ 1.04

See accompanying notes

1. Summary of Significant Accounting Policies

BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles and include the accounts of the Company's wholly-owned subsidiaries.

INVENTORIES

Inventories are valued at the lower of cost and net realizable value, with cost being determined substantially on a first-in, first-out basis. Cost includes the cost of materials plus direct labour and the applicable share of manufacturing overhead.

FIXED ASSETS

Fixed assets are recorded at historical cost, net of related investment tax credits and accumulated depreciation. Expenditures for maintenance and repairs are charged to income as incurred. Fixed assets retired or otherwise disposed of and the related accumulated depreciation, are removed from the accounts with the net gain or loss being included in income.

Depreciation and amortization are provided over the estimated useful lives of the fixed assets as follows:

Buildings	4% declining balance
Machinery & equipment	20% to 30% declining balance
Tools	25% straight-line
Leaseholds	straight-line over the terms of the leases

FINANCIAL INSTRUMENTS

Financial instruments recognized in the consolidated balance sheets comprise cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, income taxes payable, customer advance payments and long-term debt. The carrying value of these instruments approximates their fair value.

The Company also has forward foreign exchange sale contracts denominated in U.S. dollars. These contracts are used to hedge the Company's foreign exchange exposure inherent in sales in U.S. dollars. Foreign exchange contracts are negotiated with Canadian banks with credit ratings of R1 (mid) as determined by the Dominion Bond Rating Service. The Company does not anticipate non-performance by the banks which are counterparties to these contracts.

FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet dates. Revenue and expense transactions denominated in foreign currencies are translated at the rates of exchange prevailing at the dates of the transactions. All of the Company's foreign operations are self-sustaining. The assets and liabilities of foreign subsidiaries are translated using the exchange rates in effect at the balance sheet dates. Gains and losses arising from the translation of the Company's net investment in its foreign subsidiaries are deferred as a separate component of shareholders' equity.

Other gains and losses resulting from movements in exchange rates are reflected in the consolidated statements of income and retained earnings except for gains and losses on foreign exchange forward contracts used to hedge specific future foreign currency transactions. Gains or losses on these contracts are accounted for as a component of the related hedged transaction.

REVENUE RECOGNITION

Revenue from the sale of manufactured products is recognized upon product completion.

RESEARCH AND DEVELOPMENT EXPENDITURES

Research and development expenditures are expensed as incurred.

INCOME TAXES

In fiscal 1999, the Company adopted the liability method of tax allocation for accounting for income taxes as provided for in the new recommendations of The Canadian Institute of Chartered Accountants. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Prior to the adoption of the new recommendations, income tax expense was determined using the deferral method of tax allocation. Under this method, future tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and measured at the tax rate in effect in the year the difference originated.

$(000)'s (except per share amounts) September 30, 1999

2. Inventories

	1999	1998
Raw materials	$ 2,131	$ 1,466
Work in process and finished goods	10,918	13,330
	$ 13,049	$ 14,796

3. Fixed Assets

1999	Cost	Accumulated depreciation & amortization	Net book value
Land	$ 4,731	$ –	$ 4,731
Buildings	25,147	4,758	20,389
Machinery & equipment	114,281	62,828	51,453
Tools	3,352	2,804	548
Leaseholds	530	329	201
	$ 148,041	$ 70,719	$ 77,322

1998	Cost	Accumulated depreciation & amortization	Net book value
Land	$ 4,214	$ –	$ 4,214
Buildings	24,463	4,155	20,308
Machinery & equipment	106,689	53,154	53,535
Tools	3,015	2,474	541
Leaseholds	164	145	19
Aircraft	2,576	670	1,906
	$ 141,121	$ 60,598	$ 80,523

4. Cash

The Company has available unsecured lines of credit totalling $33,455 (1998 - $36,655). At year end, the Company's U.S. subsidiaries were borrowing $3,272 (US$ 2,226) (1998 - $5,922 [US$ 3,871]), the Canadian operations were not borrowing (1998 - $12,198). These operating lines are available at variable rates not exceeding prime rate, are unsecured and are due on demand. The prime rate in Canada at year-end was 6.25% and in the United States was 8.25%.

5. Long-Term Debt

	1999	1998
Mortgage payable	$ 656	$ 682
U.S. term loans	180	1,330
	836	2,012
Less current portion	195	596
Long-term portion	$ 641	$ 1,416

The mortgage payable bears interest at 10.75% and matures August 11, 2001. The monthly principal and interest payments on this loan are approximately $8 and are based on an amortization period of 25 years.

The U.S. term loans are collateralized by certain fixed assets of the Company's U.S. subsidiaries. The interest rates on these loans vary from 8.95% to 10%.

Total principal repayment requirements are approximately as follows:

2000	$ 195
2001	641
	$ 836

$(000)'s (except per share amounts) September 30, 1999

6. Share Capital

AUTHORIZED

The Company's authorized share capital consists of an unlimited number of common shares, an unlimited number of non-voting preference shares issuable in one or more series and 275 special shares.

ISSUED

The Company has not issued any non-voting preference shares or special shares. Changes to the issued common shares are shown in the following table:

	Common shares	
	Number of shares	Stated Value
Issued and outstanding at September 30, 1997	12,875,430	$ 23,150
Stock dividend	6,437,670	
Share issue expenses for stock dividend		(25)
Issued for cash under the Employee Stock Purchase Plan (1)	84,266	622
Issued for cash under the Stock Option Plan (1)	96,400	312
Issued and outstanding at September 30, 1998	19,493,766	24,059
Issued for cash under the Stock Option Plan	322,100	1,038
Issued and outstanding September 30, 1999	19,815,866	$ 25,097

(1) figures stated on a post stock dividend basis

STOCK OPTION PLAN

The Company has a Stock Option Plan under which common shares may be acquired by employees, officers and directors of the Company. The following table shows the changes to stock options outstanding:

	Number of Options	
	1999	1998
Balance, beginning of year	**1,326,097**	848,430
Additional options issued pursuant to stock dividend	–	424,219
Granted during the year	**199,415**	182,848
Exercised during the year	**(322,100)**	(96,400)
Cancelled during the year	**(7,500)**	(33,000)
Balance, end of year	**1,195,912**	1,326,097

The exercise price per share of outstanding options varies from $5.50 to $10.83 (1998 - $2.88 to $10.83) and can be exercised at various dates through 2009. During the year, the shareholders approved an increase in the number of shares issuable pursuant to the Stock Option Plan. Accordingly, the number of shares available for option at September 30, 1999 increased to 523,588 (1998 - 134,804).

EMPLOYEE STOCK PURCHASE PLAN

The Company has an Employee Stock Purchase Plan. The plan allows employees to purchase shares annually through payroll deductions at a predetermined price. During 1999, payroll deductions were made supporting the purchase of a maximum of 124,423 shares at $7.23 per share. The purchase and payroll deductions with respect to these shares will be completed in the first quarter of fiscal 2000. Employees must decide annually whether or not they wish to purchase their shares. During 1999, no shares (1998 - 84,266) were issued under the terms of this plan.

$(000)'s (except per share amounts) September 30, 1999

7. Income Taxes

Effective October 1, 1998, the Company changed its method of accounting for income taxes from the deferral method to the liability method of tax allocation. As permitted under the new rules, prior year consolidated financial statements have not been restated. The cumulative effect, as at October 1, 1998, of adopting these recommendations was not material. There was no material impact on 1999 net income.

The Company's effective income tax rate is as follows:

	1999	
Income before income taxes	**$ 19,482**	**100%**
Income taxes at Canadian statutory rates	**$ 8,689**	**44.6%**
Manufacturing and processing deduction	**(1,753)**	**(9.0)**
Other	**510**	**2.6**
	$ 7,446	**38.2%**

	1998	
Income before income taxes	$ 17,807	100.0%
Income taxes at Canadian statutory rates	$ 7,942	44.6%
Manufacturing and processing deduction	(1,603)	(9.0)
Other	353	2.0
	$ 6,692	37.6%

Future income tax assets and liabilities consist of the following temporary differences:

	1999	1998
Assets		
Tax benefit of loss carryforwards	**$ (854)**	$ –
Liabilities		
Tax depreciation in excess of book depreciation	**5,709**	4,135
Net future income tax liabilities	**$ 4,855**	$ 4,135

8. Commitments

LEASES

The Company has commitments under long-term lease agreements for plant facilities and other operating leases expiring at various dates up to 2004. Future minimum lease payments are as follows:

2000	$ 905
2001	885
2002	155
2003	90
2004	28
	$ 2,063

FOREIGN EXCHANGE CONTRACTS

The Company has contracts to sell US$ 2,700 over the next twelve months at rates varying from $1.44 to $1.37 Canadian for each U.S. dollar sold. Management estimates that the closure of these contracts on September 30, 1999 would result in a loss of $107.

9. Earnings and Cash Per Common Share Provided by Operating Activities

Basic earnings and cash per common share are calculated using the monthly weighted average number of common shares outstanding of 19,702,999 (1998 - 19,442,522). Fully diluted earnings and cash per common share are calculated using the monthly weighted average number of common shares outstanding adjusted for stock options as though these options had been exercised and shares issued at the beginning of the year.

10. Segmented Information

The Company operates in a single business segment which is the designing, engineering and precision machining of moulds and dies. Its operations are substantially related to the automotive and industrial markets in North America. Total sales outside Canada were $84,994 (1998 - $89,438), of which $79,058 were to the United States (1998 - $82,630). The Company's assets are domiciled in Canada and the United States. Canadian assets total $94,818 (1998 - $105,837) and U.S. assets total $19,676 (1998 - $19,568). In 1999, sales to the Company's largest customer were approximately 33% (1998 - 24%) of total sales.

11. Subsequent Event

Subsequent to year end, the Company sold its Canalloy division. This division, an agent of a foreign manufacturer, was engaged in the distribution and sale of standard mould components to the Canadian mould manufacturing market. During 1999, this division had sales of $4,953 and net assets of $3,299. The division was sold for an amount in excess of its net asset value and the Company expects to record a pre-tax profit on the sale of approximately $300.

12. Year 2000 Issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Directors

HELMUT HOFMANN,
Chairman,
Devtek Corporation

ARTHUR A. KENNEDY, Q.C., B. COMM.
Chairman of the Board
Retired; formerly Partner Tory, Tory DesLauriers & Binnington

RICHARD D. MCGRAW, B. COMM.
President and Chief Executive Officer,
Vitran Corporation

BRIAN A. ROBBINS, P. ENG.
President and Chief Executive Officer of the Company

ROBERT I. WERNER, P. ENG.
Management and Technology Consultant; Retired; formerly Vice-Chairman, Director and Senior Vice President, Werner Co.

RALPH ZARBONI, B. COMM., FIM
President,
Rossiter Ventures Corporation

AUDREY E. ROBBINS, HONORARY DIRECTOR
Co-founder of the Company

Corporate Officers

ARTHUR A. KENNEDY
Chairman of the Board

BRIAN A. ROBBINS
President and Chief Executive Officer

SCOTT E. BOND
Vice-President, Finance and Chief Financial Officer

ANNE HIMELFARB
Secretary

JAN M. TESAR
President, Casting Technologies

GABRIEL PICCININ
President, Exco Extrusion Dies Division

LAWRENCE C. ROBBINS
President, Alu-Die Division

PAUL H. ROBBINS
Vice-President, Exco Extrusion Dies Division

Principal Bankers

THE BANK OF NOVA SCOTIA
Markham, Ontario

Transfer Agent and Registrar

CIBC MELLON TRUST
Toronto, Ontario

Stock Listing

TORONTO STOCK EXCHANGE (XTC)

Corporate Office

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1999 Annual Meeting

The 1999 Annual Meeting of the Shareholders will be held at the Design Exchange, 234 Bay Street, Toronto, on Wednesday, January 26, 2000 at 4:30 p.m.

Designed and Produced by SUTTON JAVELIN Communications Printed in Canada

EXCO TECHNOLOGIES LIMITED

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